

THE BUSINESS REVIEW

THIRD FEDERAL
PHILADELPHIA



RESERVE DISTRICT
NOVEMBER 1, 1940

FEDERAL RESERVE BANK OF PHILADELPHIA

Business and Banking Conditions in the United States

Volume of industrial production increased sharply in September, owing mainly to a continued rise in output of durable manufactured products, and this month a further increase is indicated. Prices of basic industrial materials advanced in September and the first half of October.

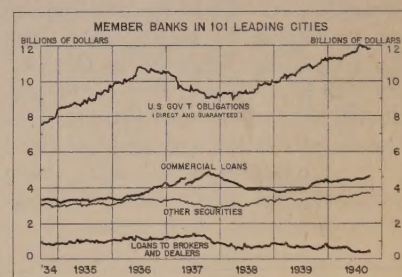
Production. The Board's seasonally adjusted index of industrial production, which for three months had been at a level of 121 per cent of the 1935-39 average, advanced to about 125 per cent in September. In the durable goods industries increases in output were general. Steel production rose to 93 per cent of capacity, and in the first half of October the rate was slightly higher as new orders continued in large volume both from domestic and foreign sources. Steel exports amounted to about 20 per cent of ingot-producing capacity in August, the latest month for which data are available, with nearly three-quarters of these shipments going to the United Kingdom and Canada. Activity in the machinery, aircraft, and shipbuilding industries advanced further in

September following considerable increases in August, and automobile output increased sharply as volume production of new model cars was rapidly attained. Plants producing railroad cars and locomotives also showed an expansion in activity. Lumber production continued to rise under the impetus of a growing volume of demand for defense program purposes.

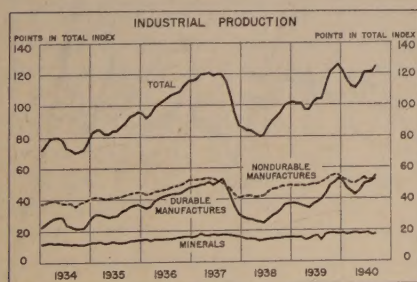
Changes in output of nondurable manufactured goods and minerals in September were mixed. At wool textile mills activity advanced sharply further to near the peak reached last autumn, reflecting in part expanding production on government orders. At cotton mills, however, activity showed less than the usual seasonal rise, following a sharp increase in August, and rayon deliveries declined somewhat owing partly to a strike at plants of one large producer. Shoe production also declined in September. Paper production remained in reduced volume following a high rate of output during the early summer accompanying some inventory accumulation at that time. Output of most metals con-

tinued large during September. Crude petroleum production, which had been curtailed sharply during the summer, rose considerably, but coal production, which for several months had been maintained at high levels, showed a smaller increase than is usual at this season.

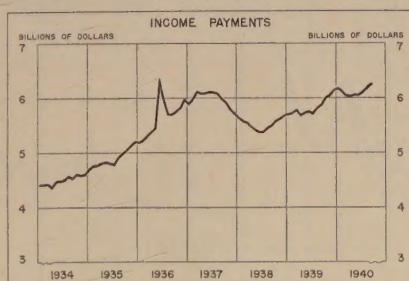
Value of new construction work started in September was lower than in July and August, according to reports of the F. W. Dodge Corporation and the San Francisco Federal Reserve Bank. The decline occurred chiefly



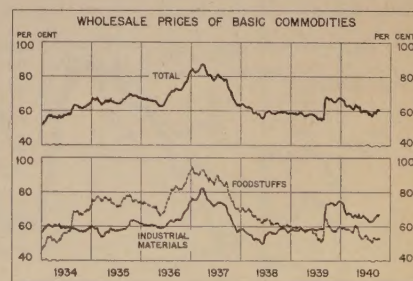
Wednesday figures, September 5, 1934, to October 9, 1940. Commercial loans based on new classification beginning May 19, 1937.



Index of physical volume of production, adjusted for seasonal variation, 1935-1939 average = 100. Durable manufactures, nondurable manufactures, and minerals expressed in terms of points in the total index. By months, January 1934 to September 1940.



U. S. Department of Commerce estimates of the amount of income payments to individuals, adjusted for seasonal variation. By months, January 1934 to September 1940.



Federal Reserve groupings of Bureau of Labor Statistics' data. Thursday figures, January 4, 1934 to October 10, 1940.

in contracts for defense projects which had been large in the previous two months. Awards for private residential building showed little change from recent high levels. Awards for other private work declined somewhat but continued considerably above the level of a year ago.

Distribution. In September and the early part of October department store sales showed somewhat less than the usual seasonal increase from the exceptionally high level reached in August.

Freight-car loadings rose somewhat more than seasonally in September, re-

flecting to a large extent increased shipments of miscellaneous freight. Loadings of coal, which have been large in recent months, showed less than the usual seasonal rise.

Commodity prices. Prices of most industrial materials, particularly lumber, steel scrap, nonferrous metals, hides, and wool, continued to advance from the middle of September to the middle of October, and there were also increases in some manufactured products, notably cotton and woolen goods. Wheat prices were higher while prices of most other foodstuffs showed little change.

Bank credit. Commercial loans at reporting member banks in New York and 100 other leading cities continued to increase during the four weeks ending October 9, reflecting in part seasonal demands. Holdings of United States Government obligations decreased further with the result that total loans and investments of these banks showed little change.

United States Government security prices. Prices of United States Government securities advanced in the second half of September and the first week in October, rising close to the high level of the year reached early last April.

Business and Banking Conditions in the Philadelphia Federal Reserve District

Industrial and trade activity in the Third Federal Reserve District has continued to expand. Direct production of defense materials is increasing substantially and demand for civilian goods is broadening. Advance buying is increasingly in evidence in many lines where delays in deliveries are expected to result from heavy government purchases.

Industrial production increased 1 per cent more than usual from August to September and was 9 per cent above a year earlier. Early reports indicate that expansion in both durable and nondurable lines occurred in October. The gain from August was in the output of heavy manufactured goods; consumers' lines in the aggregate declined and the production of anthracite, crude oil, and electric power failed to measure up to seasonal expectations.

Building activity continued to increase and was well above a year ago except in the case of public works and utilities. Sharp gains over 1939 have been shown in the erection and renovation of commercial and industrial structures.

Consumer incomes in this district have advanced further. Wage disbursements increased from August to September in manufacturing and in most other major industries, the sharpest gains being at anthracite mines and in trade and service establishments. Farm income continues well sustained at a higher level than last year. Both employment and income generally are well above a year ago.

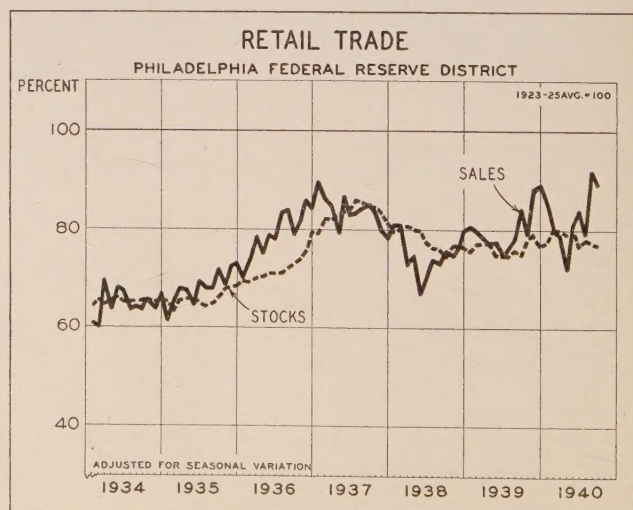
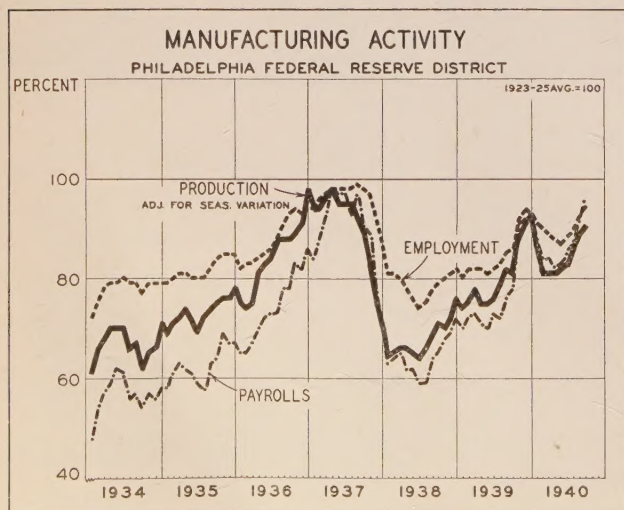
Retail trade sales showed sharp seasonal expansion in September, despite the unusually high level of business in August. Sales at whole-

sale also increased considerably. Inventories have increased somewhat in the past year.

Prices are generally firm, particularly in the case of basic industrial goods.

Manufacturing. The demand for goods manufactured in this district has improved steadily since early in the summer. For some time most of the gains were in the production and sale of heavy capital goods, but with the expansion of the National Defense Program the scope of both government and private buying has broadened. Activity in heavy industries continues to increase from the unusually high levels reached last summer, and now sharp improvement is being noted in various textile and other consumers' goods lines.

Despite recent expansion in opera-



Business Indicators Philadelphia Federal Reserve District

tion, mill backlogs have continued to grow and in many instances are larger than a year ago. Stocks of finished goods at reporting concerns are stationary or declining but inventories of raw materials in many instances are being increased to cover heavier manufacturing needs. Prices are generally firm but have shown no substantial advances over a year ago except in a few basic lines.

The most pronounced gains in orders are reported at iron and steel plants, cotton and woolen textile mills, and at establishments turning out various building materials. Advance commitments already have been made for a wide range of iron and steel products and forward buying is becoming heavier in a majority of textile lines, as large government orders increase the possibility of delayed deliveries to consumers handling civilian goods.

Factory employment in Pennsylvania increased nearly 2 per cent further from August to September, when the number of workers was estimated at 952,000, or about 9 per cent more than a year ago. Wage disbursements increased 3 per cent in the month to approximately \$24,700,000 a week, or 22 per cent above September 1939. Preliminary reports indicate continued increases in employment and payrolls in October, particularly at establishments turning out iron and steel and textile products.

In durable goods lines wage payments increased 4 per cent in September to a level 37 per cent above a year ago. The sharpest gains over August were reported by manufacturers of certain types of transportation equipment, heating and plumbing supplies, and stoves and furnaces. Substantial increases also occurred in the case of basic iron and steel products, machinery and parts, hardware, and some of the building materials. At factories making nondurable goods, payrolls increased about 2 per cent from August and were slightly higher than in 1939, after continuing below year ago levels since the early spring.

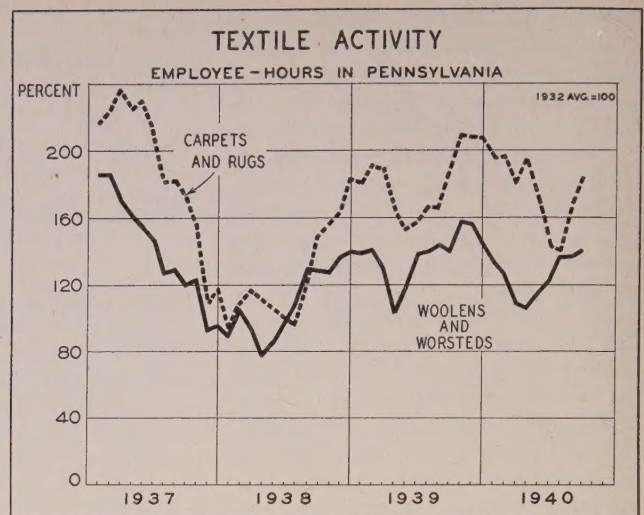
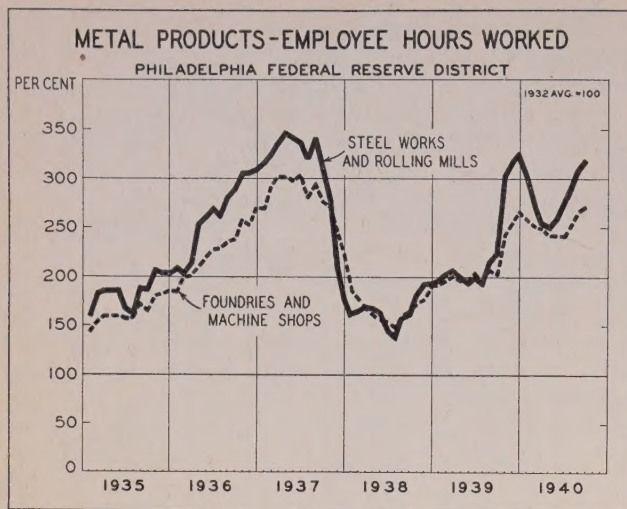
Working time in Pennsylvania factories increased 3 per cent in September to the peak level of the year. Average hourly earnings advanced fractionally to nearly 73 cents, and weekly wages rose from \$27.33 in August to \$27.73, the highest reported in the past seventeen years.

In Delaware, the number of factory workers employed showed virtually no change from August to September, but

	Index numbers: percentages of the 1923-1925 average as 100											
	Adjusted for seasonal variation						Not adjusted					
	Per cent change											
	Sept. 1940 from		1940 from		1939		Sept. 1940 from		1940 from		1939	
	Month ago	Year ago	Month ago	Year ago	Month ago	Year ago	Month ago	Year ago	Month ago	Year ago	Month ago	Year ago
Adjusted indexes allow for the usual seasonal change in activity.												
Unadjusted indexes reflect merely the actual change which may or may not be typical.												
Sept. 1939	July 1940	Aug. 1940	Sept. 1940				Sept. 1939	July 1940	Aug. 1940	Sept. 1940		
Industrial production.....												
Manufacturing—total.....	85r	89	91	92p	+ 1	+ 9	+ 8	86	85	89	93p	
Durable goods.....	81	86	89	91p	+ 2	+ 11	+ 9	83	83	89	92p	
Consumers' goods.....	72r	93	92	101p	+ 9	+ 39	+ 33					
Metal products.....	88r	82	86	83p	- 3	- 5	- 4					
Textile products.....	73	99	96r	103	+ 8	+ 42	+ 40	73	94	99	103	
Transportation equipment.....	80	69	78	71p	- 8	- 11	- 12	82	63r	73	72p	
Food products.....	89	108	121	138	+ 14	+ 55	+ 38	84	105	117	130	
Tobacco and products.....	83	86	83	81p	- 1	- 2	- 2	87	82	83	88p	
Building materials.....	100	92	104	102	- 1	+ 2	+ 5	116	100	111	118	
Chemicals and products.....	41	40	42	43	+ 4	+ 7	+ 9	44	44	48	47	
Leather and products.....	128	129	131	144p	+ 10	+ 13	+ 10	127	127	131	144p	
Paper and printing.....	115	116r	107	109p	+ 1	- 5	- 9	126	105	110	120p	
Coal mining.....	89	88	88	87	- 0	- 2	- 2	88	85	85r	87	
Anthracite.....	76r	83	73	68p	- 7	- 10	- 2	73r	65	56	66p	
Bituminous.....	76r	82	72	66p	- 8	- 13	- 4	73r	64	53	63p	
Crude oil.....	75	87	82	85	+ 4	+ 13	+ 37	77r	76	77	87	
Electric power.....	432	411	413	407	- 2	- 6	+ 0	432	411	413	407	
Output.....	268	292	294	289	- 2	+ 8	+ 8	262	272	280	283	
Sales, total.....	265	276	290	289	- 0	+ 9	+ 10	263	260	276	287	
Sales to industries.....	180	184	193	207	+ 7	+ 15	+ 11	191	187	198	219	
Employment and wages—Pa.												
Factory—Employment.....					+ 2*	+ 9*	+ 8*	84	87	90r	91	
Payrolls.....					+ 3*	+ 22*	+ 19*	75	83	89	92	
Man-hours (1927-28 = 100).....					+ 3*	+ 24*	+ 22*	72	81	87	89	
General (1932 = 100).....												
Employment.....					+ 3*	+ 7*	+ 7*	109	111	113	117	
Payrolls.....					+ 4*	+ 17*	+ 15*	148	159	167	174	
Building and real estate												
Contracts awarded†—total.....	79	93	90	94	+ 4	+ 19	+ 5	77	86	88	91	
Residential.....	51r	51	49	53	+ 7	+ 3	- 8	61r	58	55	62	
Nonresidential.....	48r	94	104	111	+ 6	+ 129	+ 22	45	87	96	104	
Public works and utilities.....	214r	187	187	157	- 16	- 27	+ 5	195	161	162	143	
Permits for building—17 cities.....	20	21	22	65	+ 19†	+ 226	+ 16	18	26	20	58	
Real estate deeds—Philadelphia.....	55	58	57	63	+ 10	+ 14	+ 14	47	58	55	54	
Writs for Sheriff sales—Phila.....	244	256	340	286	- 16	+ 17	- 7	283	243	327	332	
Distribution												
Retail trade—sales.....	85	79	92	89p	- 3	+ 5	+ 4	87r	56r	69	91p	
stocks.....	75	78	77	77p	- 0	+ 3	+ 5	81	70	74	83p	
Wholesale trade—sales.....					+ 19*	- 5*	+ 6*					
stocks.....					+ 1*	+ 3*						
Life insurance sales.....	91	93	91	104	+ 14	+ 15	+ 4	73	90	77	83	
New passenger auto. registrations.....					- 27*	+ 2*	+ 33*	66	158	91	67	
Hotels—Occupancy... (1934 = 100).....					+ 17*	+ 17*	+ 6*	111r	97	109	129p	
Income, total (1934 = 100).....					+ 32*	+ 25*	+ 9*	104r	85	98	130p	
Freight-car loadings—total.....	70	75	75	75	+ 1	+ 7	+ 19	79	78	79	85	
Merchandise and miscellaneous.....	67	73	73	73	+ 0	+ 9	+ 15	76	75	76	83	
Coal.....	76	79	77	76	- 1	+ 1	+ 23	79	70	74	79	
Business liquidations												
Number.....					+ 21*	+ 1*	- 7*	77r	95	65	79	
Amount of liabilities.....					+ 3*	- 36*	- 25*	32	22	20	21	
Payment of accounts												
Check payments.....	91	89	95	92	- 3	+ 1	+ 4	87	87	81	87	
Rate of collections (actual).....												
Retail trade.....	34	33	35	35	+ 1	+ 2		30	33	31	31	
Prices—United States												
Wholesale (1926 = 100).....					+ 1*	- 1*	+ 2*	79	78	77	78	
Farm products.....					+ 1*	- 4*	+ 4*	69	66	66	66	
Foods.....					+ 2*	- 5*	+ 2*	75	70	70	71	
Other commodities.....					+ 0*	+ 0*	+ 3*	82	82	82	82	
Retail food.....					+ 1*	0*	+ 2*	79	78	78	79	
Philadelphia.....					- 0*	- 2*	+ 0*	80	80	79	78	
Seranton.....					+ 2*	- 2*	+ 2*	77	76	74	75	

(In millions of dollars)	Sept. 1939	June 1940	July 1940	Aug. 1940	Sept. 1940	% change from	
						Month ago	Year ago
Banking and credit							
Federal Reserve Bank							
Bills discounted.....	\$ 0.3	\$ 0.1	\$ 0.2	\$ 0.2	\$ 0.3	+50	0
Other bills and securities.....	236	200	197	196	195	- 1	-17
Member bank reserves.....	540	667	670	650	658	+ 1	+22
Reserve ratio (per cent).....	77.6	84.0	84.5	85.2	85.0	- 0	+10
Reporting member banks							
Loans.....	\$ 403	\$ 453	\$ 460	\$ 475	\$ 474	- 0	+18
Investments.....	726	728	725	731	729	- 0	+ 0
Bankers' acceptances outstanding.	8.6	8.9	9.1	9.7	9.3	- 4	+ 8

* Computed from data unadjusted for seasonal variation. p—Preliminary. r—Revised.
† Not included in production index. § Bureau of the Census, U. S. Department of Commerce.
‡ 3-month moving daily average centered at 3rd month.



wage payments increased about 3 per cent, reflecting chiefly gains in the metal products, transportation equipment, and building materials industries. Employment was 8 per cent and payrolls 20 per cent higher than in September 1939. Plants in southern New Jersey reported an increase in the month of 4 per cent in employment to a level nearly 19 per cent higher than a year ago. Wage payments showed a gain of 7 per cent in September and were 35 per cent larger than in the same month last year.

The output of manufactured goods in this district on a seasonally adjusted basis expanded 2 per cent from August to September to a point about 11 per cent above that of last year. The principal gains in both the month and the year were in production of transportation equipment, chemical, and metal products. Substantial improvement was also reported in the case of building materials. Among the individual lines, the output of steel and steel castings continued to show the sharpest gains in the metal industries, and in plants producing transportation equipment large increases were reported in shipbuilding and the output of locomotives and cars, and automobile parts and bodies.

Activity at plants producing consumers' goods in general declined from August to September, after allowing for seasonal changes. Small increases were reported in the output of shoes and leather products and cotton textiles, as well as in certain food products. The indications are that activity in early October expanded substantially in several of these lines.

The output of electric power increased 2 per cent less than seasonally

from August to September. Total sales showed the expected expansion, while sales to industries advanced 7 per cent more than usual. Both output and sales continued well above a year ago.

Coal and other fuels. The domestic market for fuels continues well sustained, reflecting seasonal expansion in sales of anthracite for heating and a heavy demand for coal and coke by industry. Exports of coal were consistently and sharply ahead of a year ago until September, when a decline of 11 per cent was reported. This was due chiefly to the heavy movement abroad in the first month of the war last year. Prices of fuels generally are firm, and above the level of a year ago.

Production of anthracite increased less than seasonally from August to September. Colliery output averaged about 169,000 tons a day as against 140,000 in August and 194,000 last year. The volume of coal mined is expected to increase considerably after the middle of October, when operations will advance to a five-day week for the first time since last winter.

Production of bituminous coal in Pennsylvania expanded more than usual in September to the highest level of the year. But activity at the mines slackened somewhat in early October, according to preliminary reports. Production for the first nine months of 1940 was about 82,034,000 tons or 37 per cent above the low levels during the corresponding period last year and the largest since 1937.

Output of by-product coke continues unusually large, reflecting the heavy requirements of producers of primary

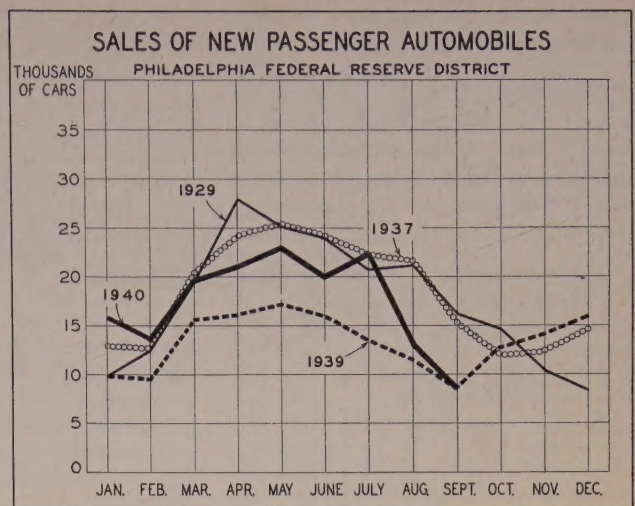
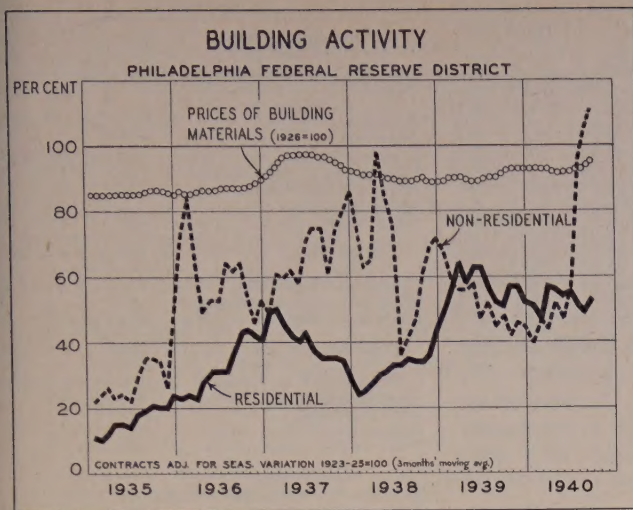
iron and steel. Production of gas and fuel oils expanded further in September and was the largest since April. Thus far this year operations at by-product coke ovens and oil refineries have been substantially above 1939 levels.

Building. Building activity in this district, as measured by the trend of contract awards, increased more than seasonally from August to September and reached the highest point since 1930. Employment and payrolls in the construction and contracting industry of Pennsylvania in September were respectively 3 and 12 per cent higher than a year ago.

Building contracts Philadelphia Federal Reserve District	Sept. 1940 (000's omitted)	Per cent change	
		From month ago	1940 from 9 mos. 1939
Residential.....	\$10,512	+ 84	- 6
Apts. and hotels.....	4,048	+565	- 8
Family houses.....	6,464	+ 26	- 6
Nonresidential.....	8,165	+ 9	+ 38
Commercial.....	2,627	+ 58	+ 39
Factories.....	1,752	- 39	+163
Educational.....	486	- 33	+ 24
All other.....	3,300	+ 49	- 17
Total buildings.....	\$18,677	+ 41	+ 12
Public works and utilities.....	5,257	+ 11	+ 0
Grand total.....	\$23,934	+ 33	+ 8

Source: F. W. Dodge Corporation.

The value of new contracts placed in September was \$23,934,000, of which 44 per cent was in the residential field. The expansion of 33 per cent over August was due largely to an increase from \$600,000 to \$4,000,000 in awards for apartments and hotels. Increases, for the most part substantial, were also reported in all other types of construction except factory buildings and educational struc-



tures. Compared with a year ago, awards in September were 30 per cent larger.

Contracts totaled \$166,300,000 in the first nine months of this year as compared with \$153,734,000 in 1939. Residential construction was in somewhat smaller volume than a year ago, but factory building, including shipbuilding facilities, was sharply larger and gains were also of material size in awards for commercial and educational facilities.

Agriculture. Seasonal farming operations in this district progressed satisfactorily in September and early October under continued favorable weather conditions. Subsequently, however, a sharp drop in temperature accompanied by snow in most sections interrupted harvesting, and delayed fall plowing and the seeding of winter grains.

The outlook for the tobacco and white potato crops has improved further since early September, and latest official estimates indicate that production this year will be substantially larger than in 1939. In the case of tobacco, the yield will be sharply above the 1934-38 average and the largest in recent years. The output of hay and oats also is expected to show an increase over a year ago and the five-year average, but the production of corn and wheat will be smaller.

Receipts from the sale of crops and livestock products decreased somewhat in August but continued above the level of a year earlier. Total farm cash income, including government payments, was about 6 per cent larger in August this year than last, and in the first eight months totaled \$266,238,000 or 5 per cent more than in the same period of 1939.

Distribution, trade and service. The movement of commodities to consumers expanded sharply further in September and appears to have been well sustained in October. Rail freight shipments and wholesale trade sales increased substantially in the month, and sales at retail showed almost the customary large seasonal expansion despite the unusually heavy volume of business in August. Continued increases in consumers' incomes have stimulated the demand for merchandise, and large government purchases of textiles and other non-durable goods have encouraged forward ordering in anticipation of difficulties in getting deliveries.

Following an exceptionally large volume of sales in August, when the adjusted index was at the highest level of the past ten years, retailers reported an increase of 31 per cent in dollar volume in September. As this was somewhat smaller than usual, however, the index declined from 92 to 89. Substantially less than seasonal gains were shown in sales at shoe stores and establishments handling durable consumers' goods on a credit basis, but in the case of department stores and women's specialty shops sales were about in line with the seasonal pattern. Aggregate sales in September were 5 per cent larger than a year ago.

Inventories at retail establishments were built up somewhat over the latter part of the summer, but these increases were slightly less than usual. At the end of September stocks on hand were still only 3 per cent larger than a year ago.

Wholesale establishments reported that sales in September showed an increase of 19 per cent over Au-

gust. Gains were especially sharp in jewelry and in dry goods; the only decline was in sales of electrical supplies. In the first eight months of the year sales were larger than a year ago, but those in September were 5 per cent smaller than in 1939, when the outbreak of war occasioned widespread speculative buying. Inventories at wholesale establishments increased slightly in September and at the close of the month were 3 per cent greater than a year earlier.

Shipments of freight by rail in the Allegheny district increased slightly more than usual from August to September. On a daily basis, car loadings in September were 7 per cent larger than a year ago and were the heaviest for the month since 1930. Loadings continued heavy in early October. The improvement in September was due principally to the fact that shipments of ore increased materially instead of showing the usual decline, reflecting prospects for sustained activity at steel mills. Loadings of grain also were sharply larger than seasonal. The movement of miscellaneous freight, consisting largely of heavy manufactures, continued to expand from previous high levels. Shipments of coal, coke, and of merchandise in less than carlots, however, were not up to expectations. Freight-car loadings in the Philadelphia area were in the largest volume of the year at the end of September and were well maintained in early October.

Registrations of new passenger automobiles dropped to a low point in September as manufacturers completed the change-over to the new models. Sales were 27 per cent smaller than in August and only 2 per cent above

a year ago. For the year to date, however, sales have exceeded those of 1939 by 33 per cent.

The revenues of nonresort hotels increased 32 per cent in September, showing more than the usual rise over August, and were 25 per cent larger than a year ago.

Hotel business Philadelphia Federal Reserve District	Sept. per cent change from		1940 from 9 mos. 1939
	Month ago	Year ago	
Capacity.....	+ 0	+ 0	.....
Room occupancy.....	+17	+17	+6
Per cent of capacity used:			
Sept. 1940.....	56.6		
Aug. 1940.....	48.5		
Sept. 1939.....	48.7		
Revenue from:			
Guest rooms.....	+22	+22	+9
Food.....	+49	+30	+9
Other sources.....	+35	+26	+7
Total revenue.....	+32	+25	+9

Banking conditions. Deposits at reporting banks have advanced sharply in the past month and are now in record volume. Commercial loans were steady at levels above the peak in 1937 and total bank credit outstanding showed only a moderate increase. Expansion in cash assets in the month reflected chiefly heavy Treasury disbursements.

Increases were shown at both city and country banks as the combined reserves of all members rose to an average of \$674,500,000 in the first fifteen days of October and exceeded requirements by 108 per cent. Reserves totaling \$672,600,000 on October 23 were considerably smaller than at the high point last May, but showed a gain of 16 per cent over a year ago.

Member bank reserves (Daily averages; dollar figures in millions)	Held	Re- quired	Ex- cess	Ratio of excess to re- quired
Philadelphia banks:				
1940: Sept. 1-15	\$463.0	\$221.9	\$241.1	109%
Sept. 16-30	465.8	222.0	243.8	110 "
Oct. 1-15	475.4	223.8	251.6	112 "
1939: Oct. 1-15	385.1	200.5	184.6	92 "
Country banks:				
1940: Sept. 1-15	193.3	99.7	93.6	94 "
Sept. 16-30	193.5	99.8	93.7	94 "
Oct. 1-15	199.1	100.6	98.5	98 "
1939: Oct. 1-15	175.4	97.7	77.7	80 "

Member bank reserves increased \$11,900,000 in the five weeks ended October 23. Nearly \$40,000,000 of funds were supplied to the local market by Treasury operations. Government disbursements exceeded receipts week by week and included substantial amounts for work relief, ship construction, building operations, and the products of numerous industrial concerns, as well as for interest on debt, the

Federal Reserve Bank of Philadelphia (Dollar figures in millions)	Oct. 23, 1940	Changes in—	
		Five weeks	One year
Bills discounted.....	\$0.4	+ \$0.1	- \$0.0
Bills bought.....	0	0	0
Industrial advances.....	2.4	+ 0.0	- 0.7
U. S. securities.....	197.6	+ 4.6	- 37.6
Total.....	\$200.4	+ \$4.7	- \$38.3
Note circulation.....	378.9	+ 6.1	+ 45.9
Member bank deposits.....	672.6	+ 11.9	+ 91.5
U. S. general account.....	13.9	- 34.0	+ 0.0
Foreign bank deposits.....	73.6	+ 8.6	+ 32.0
Other deposits.....	25.3	- 0.3	+ 14.7
Total reserves.....	986.8	- 12.6	+ 225.1
Reserve ratio.....	84.8%	- 0.5%	+ 7.1%

maintenance of defense establishments, and Social Security benefits. The principal offsets were the loss of approximately \$18,000,000 in commercial and financial transactions with other districts and an increase of \$10,600,000 in currency demand. This increase, partly seasonal in character, considerably exceeded the amount called for a year ago.

No material change was shown in discounts for member banks or in outstanding industrial advances. On the first of October, when the quarterly reallocation of System holdings of governments was made, the allotment of this bank was increased by more than \$11,000,000. But the net increase over the past month was only \$4,600,000, as this bank also participated in sales of bonds and notes from the System Open Market Account.

Earning assets of the reporting banks aggregating \$1,206,000,000 on October 23 were \$4,000,000 larger than they were five weeks earlier. Investments, although continuing to comprise more than three-fifths of the total, were unchanged in this period. Approximately \$5,000,000 of direct United States Government securities were purchased, but there were offsetting declines in other holdings, principally in corporate and municipal obligations, which in the last few weeks have been in the smallest volume since January.

An increase of \$4,000,000 in loans to \$478,000,000 was due chiefly to expan-

MEMBER BANK RESERVES AND RELATED FACTORS

Philadelphia Federal Reserve District (Millions of dollars)	Changes in weeks ending—					Changes in five weeks
	Sept. 25	Oct. 2	Oct. 9	Oct. 16	Oct. 23*	
Sources of funds:						
Reserve bank credit extended in district....	+0.7	- 0.5	- 1.6	+ 7.1	- 5.4	+ 0.3
Commercial transfers (chiefly interdistrict)...	- 9.7	+ 10.8	- 0.2	- 8.1	- 10.6	- 17.8
Treasury operations.....	+ 2.2	+ 10.5	+ 7.0	+ 12.0	+ 8.1	+ 39.8
Total.....	- 6.8	+ 20.8	+ 5.2	+ 11.0	- 7.9	+ 22.3
Uses of funds:						
Currency demand.....	+ 2.3	+ 1.2	+ 3.3	+ 1.8	+ 2.0	+ 10.6
Member bank reserve deposits.....	- 8.9	+ 18.3	+ 2.4	+ 9.0	- 8.9	+ 11.9
"Other deposits" at reserve bank.....	- 0.2	+ 1.5	- 0.6	+ 0.1	- 1.1	- 0.3
Other Federal Reserve accounts.....	+ 0.0	- 0.2	+ 0.1	+ 0.1	+ 0.1	+ 0.1
Total.....	- 6.8	+ 20.8	+ 5.2	+ 11.0	- 7.9	+ 22.3

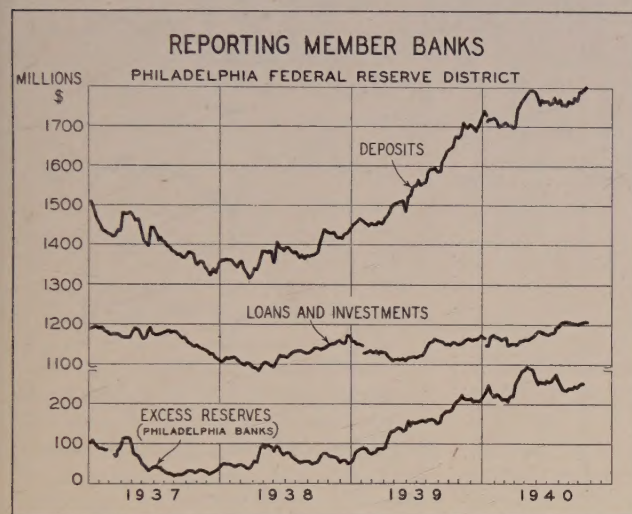
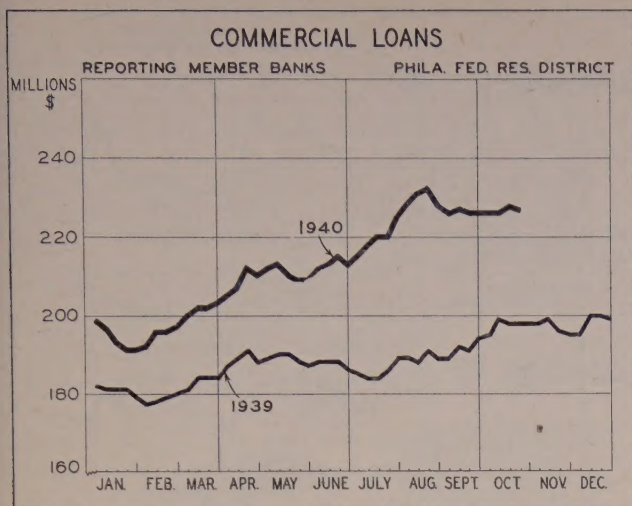
* Preliminary.

Reporting member banks (000,000's omitted)	Oct. 23, 1940	Changes in—	
		Five weeks	One year*
Assets			
Commercial loans.....	\$ 227	+ \$ 1	+ \$32
Open market paper.....	37	- 1	+ 11
Loans to brokers, etc.....	23	+ 2	+ 4
Other loans to carry secur.....	32	+ 1	+ 1
Loans on real estate.....	50	0	+ 1
Loans to banks.....	1	0	0
Other loans.....	108	+ 1	+ 19
Total loans.....	\$ 478	+ \$ 4	+ \$68
Government securities.....	\$ 364	+ \$ 5	+ \$ 5
Obligations fully guaranteed.....	93	- 1	+ 2
Other securities.....	271	- 4	+ 4
Total investments.....	\$ 728	0	+ \$11
Total loans & investments.....	\$1,206	+ \$ 4	+ \$79
Reserve with F. R. Bank.....	493	+ 8	.....
Cash in vault.....	22	+ 1	.....
Balances with other banks.....	231	+ 15	.....
Other assets—net.....	80	+ 2	.....
Liabilities			
Demand deposits, adjusted.....	\$1,033	+ \$31	.....
Time deposits.....	261	0	.....
U. S. Government deposits.....	47	0	.....
Interbank deposits.....	462	- 1	.....
Borrowings.....	.....	0	.....
Other liabilities.....	14	- 1	.....
Capital account.....	215	+ 1	.....

* On comparable basis.

sion of \$3,000,000 in brokers' loans and in other loans to purchase or carry securities. Small increases were also shown in commercial accommodation and unclassified loans, and a slight decline in open market paper. Commercial loans, although still \$5,000,000 under the high point in August, are 16 per cent greater than in late October of 1939, reflecting sharp gains earlier this year. This proportionate increase sharply exceeds the increase of 11 per cent at reporting banks in 101 leading cities of the country.

Deposits at the reporting banks in this district increased \$30,000,000 in the five weeks ended October 23 to the highest point on record. This was due to sharp expansion in the balances of individuals and business enterprises. Deposits of states and local governments declined to the lowest level since March, and interbank balances, following the attainment of an all-time high in the middle of October, reacted to a level slightly lower than a month earlier.



City areas*	Percentage change—September 1940 from September 1939				
	Manufacturing		Building permits (value)	Debits	Retail trade sales
	Employment	Wage payments			
Allentown.....	+19	+37	+ 4	- 2	+ 2
Altoona.....	+15	+27	- 44	+ 1	- 1
Harrisburg.....	+15	+32	- 67	+15	+13
Johnstown.....	+17	+29	- 17	+ 8	+ 9
Lancaster.....	- 1	+ 1	- 77	-10	- 3
Philadelphia.....	+ 8	+18	+ 402	- 2	+ 8
Reading.....	+ 3	+14	+ 148	+ 4	+ 2
Seranton.....	- 6	+ 2	- 0	- 2	- 0
Trenton.....	+10	+17	+ 325	- 9	+ 5
Wilkes-Barre.....	+ 1	+ 8	- 26	- 4	+ 1
Williamsport.....	+ 4	+ 5	+1058	+ 4	....
Wilmington.....	+13	+22	- 30	+ 6	+10
York.....	+ 9	+20	- 1	+ 3	+ 1

September 1940 from August 1940					
Allentown.....	+ 2	+ 6	- 32	-10	+10
Altoona.....	+ 0	- 3	- 33	-12	+10
Harrisburg.....	+ 1	+ 4	- 63	- 7	+28
Johnstown.....	- 0	+ 6	+ 55	-10	+ 1
Lancaster.....	+ 3	+ 5	- 67	+ 2	+12
Philadelphia.....	+ 3	+ 5	+ 306	- 2	+40
Reading.....	+ 0	+ 1	+ 7	+ 5	+15
Seranton.....	+ 2	- 2	- 16	- 8	+31
Trenton.....	+ 4	+ 4	+ 159	-28	+28
Wilkes-Barre.....	+ 1	- 1	- 18	- 6	+29
Williamsport.....	+ 1	- 1	+ 69	- 3	....
Wilmington.....	+ 2	+ 4	+ 55	+14	+19
York.....	+ 3	+ 6	- 76	- 4	+ 4

* Area not restricted to the corporate limits of cities given here.

Employment and Payrolls in Pennsylvania

(All figures are rounded from original data.)

Manufacturing Indexes

	Employment*			Payrolls*			Employee-hours†	
	Sept. 1940 index	Per cent change from		Sept. 1940 index	Per cent change from		Sept. 1940—per cent change from	
		Aug. 1940	Sept. 1939		Aug. 1940	Sept. 1939	Aug. 1940	Sept. 1939
All manufacturing.....	91	+2	+ 9	92	+ 3	+22	+ 3	+24
Iron, steel and prods.	88	+1	+23	117	+4	+40	+3	+39
Non-fer. metal prods.	126	+1	+13	166	+3	+24	+2	+23
Transportation equip.	66	+5	+15	73	+3	+25	+4	+35
Textiles and clothing.....	90	+1	- 5	84	+1	+ 1	-0	- 5
Textiles.....	83	+2	- 6	78	+1	- 1	+1	- 5
Clothing.....	119	-0	- 1	114	-1	+ 9	-6	- 3
Food products.....	110	+4	- 1	117	+2	+ 0	+4	- 2
Stone, clay and glass.....	82	+3	+ 7	87	+7	+15	+5	+10
Lumber products.....	65	+1	+ 5	64	+3	+11	+2	+10
Chemicals and prods.	98	+2	+10	113	+4	+16	+5	+21
Leather and products.....	88	-1	- 2	89	+2	+ 4	-0	-11
Paper and printing.....	99	+1	+ 2	106	+4	+ 3	+1	- 0
Printing.....	88	+1	- 2	99	+6	+ 2	+2	- 3
Others:								
Cigars and tobacco.....	66	+1	+ 8	62	+5	+11	+5	+11
Rubber tires, goods....	82	+0	- 4	95	+5	- 5	+6	- 6
Musical instruments....	69	+2	+21	77	+11	+25	+6	+20

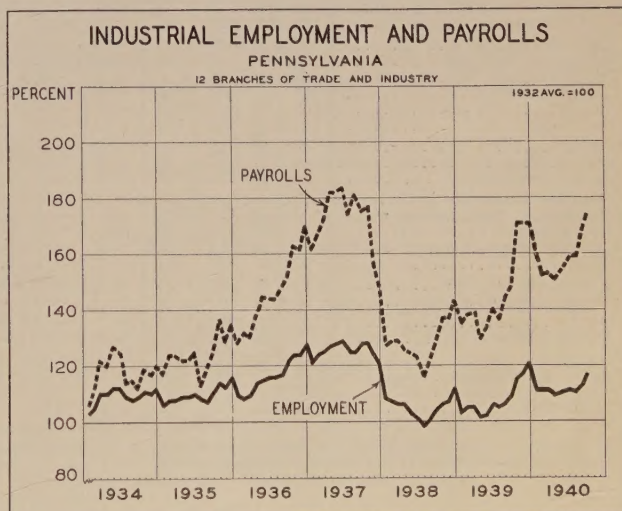
* Figures from 2412 plants.

† Figures from 2178 plants.

General Index Numbers

Covering Twelve Branches of Trade and Industry

	Employment			Payrolls		
	Sept. 1940 index	Per cent change from		Sept. 1940 index	Per cent change from	
		Aug. 1940	Sept. 1939		Aug. 1940	Sept. 1939
General index (weighted)....	117	+ 3	+ 7	174	+ 4	+17
Manufacturing.....	142	+2	+9	225	+3	+22
Anthracite mining.....	66	-0	+ 1	67	+19	- 2
Bituminous coal mining.....	109	+4	+12	221	+1	+14
Building and construction.....	59	+3	+ 3	90	+4	+12
Quarrying and non-met. mining	117	-0	+ 7	241	-1	+14
Crude petroleum producing....	135	+0	+ 2	158	-2	- 0
Public utilities.....	100	+0	+ 5	112	-1	+ 5
Retail trade.....	110	+12	+ 6	129	+9	+ 8
Wholesale trade.....	120	+1	+ 4	129	+3	+ 7
Hotels.....	103	+3	- 1	125	+7	+ 9
Laundries.....	105	-2	+ 7	135	+0	+ 9
Dyeing and cleaning.....	106	+5	+11	141	+16	+19



Index numbers of individual lines of trade and manufactures

Philadelphia Federal Reserve District

Adjusted indexes allow for the usual seasonal change in activity. Unadjusted indexes reflect merely the actual change which may or may not be typical.	Index numbers: percentages of the 1923-1925 average as 100											
	Adjusted for seasonal variation							Not adjusted				
	Sept. 1939	July 1940	Aug. 1940	Sept. 1940	Per cent change			Sept. 1939	July 1940	Aug. 1940	Sept. 1940	
					Sept. 1940 from		1940 from 9 mos. 1939					
					Month ago	Year ago						
Retail trade												
Sales												
Total of all stores.....	85	79	92	89p	- 3	+ 5	+ 4	87r	56r	69	91p	
Department.....	74	73	80	79	- 1	+ 6	+ 6	74	50	60	79	
Men's apparel.....	79r	70	81r	83p	+ 3	+ 5	+ 6	71r	54	61	75p	
Women's apparel.....	105r	95	114	114	+ 0	+ 8	+ 0	109r	55	84	118	
Shoe.....	98	77	108	94	-12	- 3	- 0	111	64	65	108	
Credit.....	98	93r	109	100	- 8	+ 3	+ 5	101r	68r	92	105	
Stocks of goods												
Total of all stores.....	75	78	77	77p	- 0	+ 3	.....	81	70	74	83p	
Department.....	51	52	52	53	+ 2	+ 5	.....	54	46	49	57	
Women's apparel.....	105	102	109r	102	- 7	- 3	.....	121	79	103	118	
Shoe.....	67	70	66	66	+ 0	- 1	.....	72	61	67	71	
Credit.....	94	104r	101	102	+ 2	+ 9	.....	103	96r	98	112	
Rate of stock turnover 9 months (on annual basis).....							+ 4*	4.13			4.30	
Wholesale trade†												
Sales												
Total of all lines.....					+19*	- 5*	+ 6*					
Boots and shoes.....					+10*	+ 9*	+ 5*					
Drugs.....					+14*	+ 1*	+ 1*					
Dry goods.....					+29*	-14*	- 0*					
Electrical supplies.....					- 3*	+ 7*	+18*					
Groceries.....					+17*	-13*	- 2*					
Hardware.....					+15*	+ 7*	+15*					
Jewelry.....					+11*	+20*	+25*					
Paper.....					+ 3*	- 6*	+16*					
Stocks of goods												
Total of all lines.....					+ 1*	+ 3*	.....					
Dry goods.....					+ 1*	-11*	.....					
Electrical supplies.....					+ 1*	+11*	.....					
Groceries.....					+ 4*	+ 8*	.....					
Hardware.....					- 2*	+10*	.....					
Jewelry.....					+ 4*	+ 2*	.....					
Paper.....					- 3*	+ 7*	.....					
Output of manufactures												
Pig iron.....	58	85	94	90	- 4	+56	+81	54	79	82	84	
Steel.....	73	98	93	104	+11	+42	+39	69	89	95	99	
Iron castings.....	56	69	72	72	+ 1	+28	+36	57	66	69	73	
Steel castings.....	84	126	113	135	+19	+61	+37	76	112	109	122	
Electrical apparatus.....	77	104	103r	106	+ 3	+38	+39	84	109	114r	117	
Motor vehicles.....	20	17	24	24	- 1	+22	- 4	17	17	21	21	
Automobile parts and bodies.....	83	70	87	98	+12	+18	+19	78	67	82	93	
Locomotives and cars.....	22	32	35	39	+10	+72	+99	21	32	35r	37	
Shipbuilding.....	373	553	581	675	+16	+81	+50	355	536	575	641	
Silk manufactures.....	82	61	75	72	- 5	-12	-14	82	60	73	72	
Woolen and worsteds.....	59r	53	55	53	- 4	-10	- 9	65r	50	56r	58	
Cotton products.....	49	45	43	44	+ 2	- 8	- 2	46	39	39	42	
Carpets and rugs.....	127	72	97	89	- 8	-30	-15	140	67	89	96	
Hosiery.....	102	98	104r	88	-15	-14	-16	102	80	90	88	
Underwear.....	144	145	138	129	- 7	-11	- 6	144	120	128	129	
Cement.....	58	56	63	65	+ 3	+11	+ 4	68	65	79	76	
Brick.....	45	51	47	49	+ 5	+10	+26	45	49	49	50	
Lumber and products.....	28	25	26	27	+ 5	- 2	+ 5	29	28	28	29	
Bread and bakery products.....					+ 4*	+ 0*	+ 0*	92	92	89	92	
Slaughtering, meat packing.....	103	103	115	103	-10	+ 0	+ 3	103	91	97	103	
Sugar refining.....	148	86	51	68	+33	-54	-17	128	88	44	59	
Canning and preserving.....	59	84	72	69p	- 4	+18	+14	76	68	82	95p	
Cigars.....	99	91	103	101	- 2	+ 2	+ 5	115	99	110	117	
Paper and wood pulp.....	74	85	81	79	- 3	+ 6	+11	74	81	81	79	
Printing and publishing.....	92	89	89r	89	+ 0	- 3	+ 1	91	86	86r	88	
Shoes.....	143	135	130	131	+ 1	- 9	-12	163	125	139	149	
Leather, goat and kid.....	88r	98r	86	88p	+ 2	+ 0	- 4	91	86r	83	91p	
Explosives.....	89	99	126	138	+10	+55	+34	89	97	126	138	
Paints and varnishes.....	87	93	83	89	+ 7	+ 2	+ 5	83	86	85	84	
Petroleum products.....	167	158	159	180p	+13	+ 8	+ 4	169	159	160	183p	
Coke, by-product.....	125	141	142	148	+ 4	+19	+35	120	138	140	142	

* Computed from data unadjusted for seasonal variation.
† Bureau of the Census, U. S. Department of Commerce.

p—Preliminary.

r—Revised.

